

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

FULTON COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
07/15/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Christina Sriver	01-01-21 to 12-31-22
County Treasurer	Katherine L. Adamson	01-01-21 to 12-31-22
Clerk of the Circuit Court	Teresa M. Furnivall Dawn Ziemek	01-01-21 to 06-30-22 07-01-22 to 12-31-22
President of the Board of County Commissioners	Bryan W. Lewis	01-01-21 to 12-31-22
President of the County Council	Phyl Olinger	01-01-21 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF FULTON COUNTY, INDIANA

This report is supplemental to our audit report of Fulton County (County), for the period from January 1, 2021 to December 31, 2021. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement Audit Report of the County, which provides our opinions on the County's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

June 30, 2022

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COUNTY AUDITOR
FULTON COUNTY

COUNTY AUDITOR
FULTON COUNTY
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

The same comment appeared in the immediately prior Report B57200.

Condition and Context

The County had a detailed capital asset policy that detailed the capital asset threshold and included a requirement that a physical inventory be taken annually at year end. The County Auditor's office provided each department a list of capital assets and department heads are requested to review and update the list; however, adjustments to the County Auditor's master list were not completed.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the County related to financial transactions and reporting. The County had not designed an effective system of internal control or separated incompatible activities related to receipts.

The County had internal controls in place to ensure the amount received was properly recorded, but internal controls had not been designed or implemented to ensure that receipts were recorded in the proper fund.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

COUNTY AUDITOR
FULTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on June 30, 2022, with Christina Sriver, County Auditor; Katherine L. Adamson, County Treasurer; Bryan W. Lewis, President of the Board of County Commissioners; Rick Ranstead, County Commissioner; Dave Sommer, County Commissioner; Lorie Hurst, County Council member; Randy Sutton, County Council member; and Steve Fishburn, County Council member.

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COUNTY TREASURER
FULTON COUNTY

COUNTY TREASURER
FULTON COUNTY
AUDIT RESULT AND COMMENT

FINANCIAL TRANSACTIONS AND REPORTING

Similar comments, entitled *BANK ACCOUNT RECONCILIATIONS* and *INTERNAL CONTROLS*, appeared in the immediately prior Report B57200.

Condition and Context

There were deficiencies in the internal control system of the County Treasurer related to financial transactions and reporting. The County Treasurer had not separated incompatible activities related to cash and investments and reporting.

The County Treasurer had not established a system of internal control to ensure monthly bank reconciliations were complete and accurate and that financial activity was accurately recorded in the County Treasurer's Daily Balance of Cash and Depositories (Cash Book) and reported to the County Auditor.

Due to the lack of effective internal controls, the following deficiencies were identified:

1. Monthly bank reconciliations were not prepared timely, contained numerous errors, and utilized incorrect balances. Bank reconciliations were prepared on average 72 days after month end with four months exceeding 100 days. On December 31, 2021, the record balance exceeded the bank balance by an unidentified difference of \$112,946.
2. The County Treasurer's Monthly Financial Report (Form 47TR) is to be prepared monthly with one copy retained by the County Treasurer and copies filed with the County Auditor for transmission to the Board of Finance, Board of County Commissioners, and Indiana State Board of Accounts. The reported depository balances, outstanding warrants, deposits in transit and interest reported did not agree to supporting documentation provided. The fund balances in the County Auditor's ledger were not in agreement with amounts reported in the County Treasurer's Cash Book.
3. The County Treasurer's Cash Book reported \$1,000,000 in investments in funds; however, per the County Treasurer, the County did not have any investments and information presented for audit did not identify any investments held by the County.
4. The financial data reported by the County Treasurer to the County Auditor on the Supplemental Annual Financial Report (CAR-1 report) was not in agreement with the County Treasurer's Cash Book or the After Settlement Collections. Receipts differed by \$1,724,226; and disbursements differed by \$650,750.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

COUNTY TREASURER
FULTON COUNTY
AUDIT RESULT AND COMMENT
(Continued)

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

The supplemental annual report forms are submitted by other county offices and departments to be used by the county auditor to provide complete financial information for the annual report by reporting financial activity that is maintained outside of the county auditor's system. The supplemental annual reports are only to be submitted with financial activity that is not eventually accounted for in the county's general ledger system. . . . (The County Bulletin and Uniform Compliance Guidelines, January 2014)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balances must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 1)

Indiana Code 5-13-5-1(a) states:

"Every public officer who receives or distributes public funds shall:

- (1) keep a cashbook into which the public officer shall enter daily, by item, all receipts of public funds; and
- (2) balance the cashbook daily to show funds on hand at the close of each day."

The Treasurer's Daily Balance of Cash and Depositories, Form 47, is the record prescribed to enable the treasurer to comply with IC 5-13-5-1. It reflects the daily receipts and disbursements, total amount of cash and investments on hand, and a proof of the financial condition of the office at the close of each day.

The record is designed to be posted "daily," with a separate page for each day. The left side of the page shows the total amount of money for which the treasurer is accountable (charges), and the right side of the page shows the money on deposit invested or on hand (credits), as proof of the financial condition. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

On or before the 16th day of each month the treasurer shall prepare a report showing the financial condition of the office as of the close of business on the last day of the preceding month.

COUNTY TREASURER
FULTON COUNTY
AUDIT RESULT AND COMMENT
(Continued)

This report shall show the amounts with which the treasurer is chargeable for the various funds and accounts, the amounts with which the treasurer is credited for money on deposit, invested and cash on hand and any long or short at the close of each month. The report also provides space for reconciliation with depositories.

The report shall be prepared in quadruplicate and each copy shall be verified by certificate of the treasurer. The treasurer shall retain one copy as a public record in the office and three copies shall be filed with the county auditor. The county auditor shall file the original of said reports with the records of the county board of finance, one copy shall be presented to the board of county commissioners at its next regular meeting, and the county auditor shall immediately transmit one copy to the State Board of Accounts.

This report has been prescribed by the state board of accounts and designated as Form 47TR. This form is self-explanatory, and all of the information required can be obtained from the daily balance of cash and depositories, except for the bank balances shown on the bank statements and the amounts of the outstanding warrants which are obtained from the bank reconcilements. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 5)

COUNTY TREASURER
FULTON COUNTY
EXIT CONFERENCE

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